

**BURT TOWNSHIP SCHOOL DISTRICT #2  
GRAND MARAIS, MICHIGAN**

**FINANCIAL STATEMENTS  
For the Year Ended June 30, 2006**

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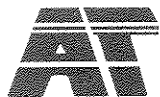
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**ANDERSON, TACKMAN & COMPANY, P.L.C.**

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**INDEPENDENT AUDITORS' REPORT**

Board of Education  
Burt Township School District #2  
Grand Marais, Michigan 49839

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Burt Township School District #2, Grand Marais, Michigan, as of and for the year ended June 30, 2006, which collectively comprise the Burt Township School District #2, Grand Marais, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Burt Township School District #2, Grand Marais, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Burt Township School District #2, Grand Marais, Michigan as of June 30, 2006, and the respective changes in financial position, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2006 on our consideration of the Burt Township School District #2, Grand Marais, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 6 through 11 and page 32 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Board of Education  
Burt Township School District #2  
Grand Marais, Michigan 49839

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Burt Township School District #2, Grand Marais, Michigan basic financial statements. The combining and individual fund financial statements and schedules are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants

September 8, 2006

## **Burt Township School District #2**

### **Management's Discussion and Analysis (Unaudited)**

Our discussion and analysis of Burt Township School District #2 financial performance provides an overview of the School District's financial activities for the year ended June 30, 2006. Please read it in conjunction with the financial statements, which begin on page 12.

#### **FINANCIAL HIGHLIGHTS**

- Net assets for Burt Township School District #2 as a whole were reported at \$357,379. Net assets are comprised of 100% governmental activities.
- During the year, Burt Township School District #2 expenses were \$981,684, while revenues from all sources totaled \$951,072, resulting in a decrease in net assets of \$30,612.
- The general fund reported an increase of \$1,220 before other financing sources (uses) and a total decrease of \$118. This is \$50,311 less than the forecasted decrease of \$50,429. This was a result of revenues being \$2,314 lower than forecasted and expenses being \$44,241 lower than forecasted and transfers out being \$8,384 lower than forecasted.

#### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand Burt Township School District #2 financially as a whole. The *District-wide Financial Statements* Statement of Net Assets and the Statement of Activities (on pages 12 and 13) provide information about the activities the School District as a whole and present a longer-term view of those finances. The fund financial statements present the next level of detail and start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. The fund financial statements also report the School District's operations in more detail than the district-wide statements by providing information about the School District's most significant fund – the General Fund, with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

#### **Reporting the School District as a Whole – *District-wide Financial Statements***

Our analysis of the Burt Township School District #2 as a whole begins on page 7. One of the most important questions asked about the School District's finances is "As a whole, what is the School District's financial condition as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the School District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the School District's net assets and changes in them. The School District's net assets – the difference between assets and liabilities – is one way to measure the School District's financial health, or financial position. Over time, increases or decreases in the School District's net assets – as reported in the Statement of Activities – are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as private-sector companies do. One must consider other non-financial factors, such as the quality of education provided, the safety of the schools and the condition of the School District's capital assets, to assess the overall financial health of the School District.

## Management's Discussion and Analysis (Unaudited) (Continued)

The Statement of Net Assets and Statement of Activities report the governmental activities for the School District, which encompass all the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and Federal grants finance most of these activities.

### Reporting the School District's Most Significant Funds – *Fund Financial Statements*

Our analysis of the School District's major funds begins on page 9. The fund financial statements begin on page 14 and provide detailed information on the most significant funds – not the School District as a whole. Some funds are required to be established by State law, and by bond covenants. However, the School District's Board has established other funds to help it control and manage money for particular purposes. The School District's two kinds of funds – *governmental* and *proprietary* – use the following accounting methods.

- *Governmental funds* – All of the School District's services are reported in governmental funds which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can be readily converted into cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds in a reconciliation which follows the fund financial statements.

### The School District as Trustee – Reporting the School District's Fiduciary Responsibilities

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

### The School District as a Whole

Table 1 provides a summary of the School District's net assets as of June 30, 2006 and 2005:

**Table 1  
Net Assets**

	Governmental Activities - 2006	Governmental Activities - 2005
Current and other assets	\$345,243	\$379,893
Capital assets, net	85,709	74,411
Total Assets	<u>430,952</u>	<u>454,304</u>
Current liabilities	73,573	66,313
Long-term liabilities	-	-
Total Liabilities	<u>73,573</u>	<u>66,313</u>
Net Assets:		
Invested in capital assets, net of related debt	85,709	74,411
Restricted	-	-
Unrestricted	271,670	313,580
Total Net Assets	<u>357,379</u>	<u>\$387,991</u>

## Management's Discussion and Analysis (Unaudited) (Continued)

The School District's net assets were \$357,379 at June 30, 2006. Capital assets, net of related debt totaling \$85,709, compares the original cost, less depreciation of the School District's capital assets to long-term debt, including accreted interest on capital appreciation bonds, used to finance the acquisition of those assets. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets of \$271,670 was unrestricted.

The \$271,670 in unrestricted net assets of governmental activities represents the accumulated results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the Statement of Activities (see Table 2), which shows the changes in net assets for fiscal years 2006 and 2005.

**Table 2**  
**Changes in Net Assets**

	Governmental Activities - 2006	Governmental Activities - 2005
Revenues:		
Program revenues:		
Charges for services	\$8,083	\$6,052
Operating grants and contributions	90,838	109,741
General revenues:		
Property taxes	384,358	373,106
State sources not restricted to specific program	429,857	491,197
Investment earnings	12,289	6,944
Miscellaneous	25,647	4,076
Total Revenues	951,072	991,116
Program Expenses:		
Instruction	534,117	549,888
Supporting services	345,990	329,330
Other governmental units	1,196	835
Community services	-	-
Food service activities	37,957	37,284
Athletic activities	19,324	13,577
Depreciation – unallocated	15,130	14,214
Capital outlay	27,970	-
Total Expenses	981,684	945,128
Increase (decrease) in net assets	(30,612)	45,988
Net assets, beginning	387,991	342,003
Net Assets, Ending	\$357,379	\$387,991

As reported in the Statement of Activities, the cost of all of our governmental activities this year was \$981,684. Certain activities were partially funded from those who benefited from the programs, \$8,083, or by other governments and organizations that subsidized certain programs with grants and categoricals, \$90,838. We paid for the remaining "public benefit" portion of our governmental activities with \$384,358 in taxes, \$429,857 in State Foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced a decrease in net assets for the year of \$30,612. The key change in the net assets was the result of capital outlay expenditures.

Table 3 presents the cost of each of the School District's largest activities as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that each function placed on the School District's operation.



## Management's Discussion and Analysis (Unaudited) (Continued)

**Table 3**  
**Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$534,117	\$474,968
Supporting services	345,990	344,025
Food service activities	37,957	4,178
Totals	<u>\$918,064</u>	<u>\$823,171</u>

The net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of the School District's operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available financial resources.

### **The School District's Funds**

As noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed the year, its governmental funds (as presented in the balance sheet on page 14) reported a combined fund balance of \$271,670, a decrease of \$41,910 from the beginning of the year. The change in the combined fund balance was a result of capital outlay expenditures.

### **General Fund Budgetary Highlights**

Over the course of the year, the School District's Board revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements.

#### **BUDGETED REVENUES:**

General Fund Revenues changed from Original to Final Budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$763,553</u>	<u>\$896,276</u>	<u>132,732</u>	<u>17.38%</u>

Burt Township School's final budgeted revenues differed from the original budget as follows:

- By \$132,723 or 17.38%

The significant increase in the budgeted revenue can be attributed partially to grants (\$43,713). Grants are recognized on Burt's financial statements once Burt receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant revenues that will be utilized in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Other contributing factors were State Aid (\$77,419) and interest income (\$3,250), which were adjusted based on information that came available over the course of the year.

## Management's Discussion and Analysis (Unaudited) (Continued)

### BUDGETED EXPENDITURES

General Fund Expenditures changed from the Original to Final budget during the year as follows:

	Original Budget	Final Budget	Budget Variance	
			Amount	Percent
Total	<u>\$875,693</u>	<u>\$936,983</u>	<u>61,290</u>	<u>7.00%</u>

Burt Township School's final budgeted expenditures differed from the original budget as follows:

- By \$61,290 or 7.00%

The significant increase in the budgeted expenditures can be attributed mainly to Grants (\$43,713). Grants are recognized on Burt's financial statements once Burt receives formal notice of award and approval from the state. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant expenditures that will be expended in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year. Also, during the course of the year, Burt's School Board approved additional budgeted amounts for the purchase of computers necessary for the school computer lab (\$26,500).

### ACTUAL REVENUES:

The General Fund Actual Revenues differed from the Final Budget as follows:

	Actual	Final Budget	Variance	
			Amount	Percent
Total	<u>\$893,962</u>	<u>\$896,276</u>	<u>\$2,314</u>	<u>0.26%</u>

Burt Township School's final budgeted revenues differed from the actual revenues as follows:

- By \$2,314 or 0.26% less than the final budget.

The significant variance in revenue can be attributed mainly to grants. Grants are recognized on Burt's financial statements once Burt receives formal notice of award and approval from the State. Hence, no grants were awarded at the time of the original budget whereas all grants were awarded and approved by the time of the final budget. Also, the final budgets include grant expenditures that will be expended in the next fiscal year. The District budgeted the entire grant awarded by the grantors, even if the grants were to be eligible for carryover in the next fiscal year.

### ACTUAL EXPENDITURES

General Fund Actual Expenditures differed from the Final budget as follows:

	Actual	Final Budget	Variance	
			Amount	Percent
Total	<u>\$892,742</u>	<u>\$936,983</u>	<u>\$44,241</u>	<u>4.72%</u>

## **Management's Discussion and Analysis (Unaudited) (Continued)**

Burt Township School's final budgeted expenditures differed from the actual expenditures as follows:

- By \$44,241 or 4.72% less than the final budget.

The significant variance in expenditures can be attributed mainly to a decrease in General Administration (\$10,953), Operations and Maintenance (\$10,502), and Elementary and Secondary education (\$14,554) expenses.

### **Capital Asset and Debt Administration**

#### ***Capital Assets***

At June 30, 2006 and 2005, the School District had \$85,709 and \$74,411, respectively, invested in a variety of capital assets including land, buildings, and buses. (See table 4 below)

Table 4 Capital Assets at Year-End (Net of Depreciation)		
	Governmental Activities – 2006	Governmental Activities – 2005
Buses	\$60,197	\$74,411
Building leasehold improvements	25,512	-
Totals	\$85,709	\$74,411

There was one current year building leasehold improvement addition. We anticipate capital additions for the 2006-2007 fiscal year will be comparable to the 2005-2006 fiscal year. Depreciation expense for the current year was \$15,130.

#### ***Debt***

There were no new additions to debt this year. At the end of this year, the School District had no bonds outstanding.

### **Economic Factors and Next Year's Budgets**

Our elected officials and administration consider many factors when setting the School District's fiscal year 2007 budget. One of the most important factors affecting the budget is the collection of local property taxes. Local property taxes account for approximately 43 percent of our revenue.

The collection of revenues by the State can also affect the School District's general operation budget. School districts throughout the state must adjust their budgets if the State decreases the per pupil foundation grant or categorical funding during its fiscal year. While we are optimistic about the 2006-07 school year, the state of the economy on a state and national level will be reflected in our budget.

### **Contacting the School District's Financial Management**

This financial report is designated to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Burt Township School District #2, P.O. Box 338, Grand Marais, MI 49839

**Burt Township School District #2**  
**Statement of Net Assets**  
**June 30, 2006**

	<u>Governmental Activities</u>
<b>ASSETS:</b>	
<b>Current assets:</b>	
Cash and cash equivalents	\$ 193,019
Receivables:	
Accounts	38,205
Due from other governmental units	111,525
Inventories	892
Prepaid expenses	<u>1,602</u>
<b>TOTAL CURRENT ASSETS</b>	<u>345,243</u>
<b>Non-current assets:</b>	
Capital assets	140,138
Less accumulated depreciation	<u>(54,429)</u>
<b>TOTAL NON-CURRENT ASSETS</b>	<u>85,709</u>
<b>TOTAL ASSETS</b>	<u>430,952</u>
<b>LIABILITIES:</b>	
<b>Current liabilities:</b>	
Accounts payable	21,842
Accrued liabilities	47,971
Deferred revenue	3,760
Current portion of long term debt obligations	<u>-</u>
<b>TOTAL CURRENT LIABILITIES</b>	<u>73,573</u>
<b>Non-current liabilities:</b>	
Non-current portion of employee benefit obligations	-
Non-current portion of long term debt obligations	<u>-</u>
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>73,573</u>
<b>NET ASSETS:</b>	
Invested in capital assets net of related debt	85,709
Restricted:	
Debt Service	-
Unrestricted	<u>271,670</u>
<b>TOTAL NET ASSETS</b>	<u><u>\$ 357,379</u></u>

The accompanying notes are an integral part of these financial statements.

**Burt Township School District #2**

**Statement of Activities**

**For the Year Ended June 30, 2006**

Function / Programs	Expenses	Program Revenue			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Governmental Activities:</b>					
Instruction	\$ 534,117	\$ -	\$ 59,149	\$ -	\$ (474,968)
Supporting services	345,990	1,965	-	-	(344,025)
Payments to other governmental agencies	1,196	-	-	-	(1,196)
Capital outlay	27,970	-	-	-	(27,970)
Food service activities	37,957	3,290	30,489	-	(4,178)
Athletic activities	19,324	2,828	1,200	-	(15,296)
Depreciation - unallocated	15,130	-	-	-	(15,130)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 981,684</b>	<b>\$ 8,083</b>	<b>\$ 90,838</b>	<b>\$ -</b>	<b>(882,763)</b>
<b>General revenues:</b>					
Taxes					
Property taxes, levied for general purposes					384,358
Federal and State aid not restricted to specific purposes					429,857
Interest and investment earnings					12,289
Miscellaneous					25,647
				<b>TOTAL GENERAL REVENUES</b>	<b>852,151</b>
				<b>CHANGES IN NET ASSETS</b>	<b>(30,612)</b>
Net Assets , July 1					387,991
				<b>NET ASSETS, JUNE 30</b>	<b>\$ 357,379</b>

The accompanying notes are an integral part of these financial statements.

**Burt Township School District #2**

**Governmental Funds**

**Balance Sheet**

**June 30, 2006**

	<b>General Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total</b>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 191,704	\$ 1,315	\$ 193,019
Accounts receivable	37,516	689	38,205
Due from other governmental units	108,387	3,138	111,525
Due from other funds	4,643	-	4,643
Inventories	-	892	892
Prepaid expenses	1,602	-	1,602
<b>TOTAL ASSETS</b>	<b>\$ 343,852</b>	<b>\$ 6,034</b>	<b>\$ 349,886</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 21,786	\$ 56	\$ 21,842
Accrued liabilities	47,844	127	47,971
Due to other fund	-	4,643	4,643
Deferred revenue	3,760	-	3,760
<b>TOTAL LIABILITIES</b>	<b>73,390</b>	<b>4,826</b>	<b>78,216</b>
<b>FUND BALANCES:</b>			
Reserved for:			
School service activities	-	-	-
Capital outlay	-	1,208	1,208
Unreserved:			
Undesignated	270,462	-	270,462
<b>TOTAL FUND BALANCES</b>	<b>270,462</b>	<b>1,208</b>	<b>271,670</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 343,852</b>	<b>\$ 6,034</b>	<b>\$ 349,886</b>

The accompanying notes are an integral part of these financial statements.

**Burt Township School District #2**

**Governmental Funds**

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets**

**June 30, 2006**

<b>Total Fund Balances for Governmental Funds</b>	<b>\$</b>	<b>271,670</b>
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*Amounts reported for governmental activities in the statement  
of net assets are different because:*

Capital assets used in governmental activities are not financial  
resources and therefore are not reported in the funds.

Cost of capital assets	140,138	
Accumulated depreciation	<u>(54,429)</u>	
		85,709

Long-term liabilities are not due and payable in the current period and are  
not reported in the funds. Long-term liabilities at year-end consist of:

Bonds payable - current	-	
Bonds payable - long term	-	
Employee benefits payable	<u>-</u>	
		-
		<u>          </u>
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>	<b>\$</b>	<b><u>357,379</u></b>

The accompanying notes are an integral part of these financial statements.

**Burt Township School District #2**

**Governmental Funds**

**Statement of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2006**

	<u>General Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total</u>
<b>REVENUES:</b>			
Property taxes	\$ 384,358	\$ -	\$ 384,358
Federal sources	34,444	28,435	62,879
State Aid	444,065	2,054	446,119
Local sources	18,806	7,318	26,124
Interest	12,289	-	12,289
<b>TOTAL REVENUES</b>	<u>893,962</u>	<u>37,807</u>	<u>931,769</u>
<b>EXPENDITURES:</b>			
Current:			
Instruction	534,117	-	534,117
Supporting services	330,626	15,364	345,990
Payments to other governmental agencies	1,196	-	1,196
Food service activities	-	37,957	37,957
Athletic activities	-	19,324	19,324
Capital Outlay	26,803	27,595	54,398
<b>TOTAL EXPENDITURES</b>	<u>892,742</u>	<u>100,240</u>	<u>992,982</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>1,220</u>	<u>(62,433)</u>	<u>(61,213)</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in (out)	(20,641)	20,641	-
Special education	4,249	-	4,249
Sale of assets	15,054	-	15,054
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(1,338)</u>	<u>20,641</u>	<u>19,303</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(118)</u>	<u>(41,792)</u>	<u>(41,910)</u>
Fund Balance, July 1	<u>270,580</u>	<u>43,000</u>	<u>313,580</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 270,462</u></u>	<u><u>\$ 1,208</u></u>	<u><u>\$ 271,670</u></u>

The accompanying notes are an integral part of these financial statements.



**Burt Township School District #2**

**Governmental Funds**

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures  
and Changes in Fund Balance to the Statement of Activities**

**For the Year Ended June 30, 2006**

<b>Net Change in Fund Balances - Total Governmental Funds</b>	<b>\$</b>	<b>(41,910)</b>
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*Amounts reported for governmental activities in the statement  
of activities are different because:*

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Depreciation expense	(15,130)	
Capital outlays - supporting services	<u>26,428</u>	11,298

Proceeds from debt issues are an other financing source in the funds, but a debt issue increases long-term liabilities in the statement of net assets.

-

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

-

Some expense reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in sick and vacation leave - (support services)	-	
Change in sick and vacation leave- (instruction)	<u>-</u>	-

<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(30,612)</u></b>
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The accompanying notes are an integral part of these financial statements.

**Burt Township School District #2**

**Fiduciary Funds**

**Statement of Fiduciary Net Assets**

**June 30, 2006**

	Private- Purpose Trust
<b>ASSETS:</b>	
Cash and equivalents	\$ 21,351
<b>TOTAL ASSETS</b>	<b>21,351</b>
<b>NET ASSETS:</b>	
Reserved for scholarships	21,351
<b>TOTAL NET ASSETS</b>	<b>\$ 21,351</b>

The accompanying notes are an integral part of these financial statements.

**Burt Township School District #2**  
**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Assets**  
**For the Year Ended June 30, 2006**

	Private- Purpose Trust
	<u>                    </u>
<b>ADDITIONS:</b>	
Interest	\$ <u>          326          </u>
<b>TOTAL ADDITIONS</b>	<u>                    326          </u>
<b>DEDUCTIONS:</b>	
Scholarships awarded	<u>                    585          </u>
<b>TOTAL DEDUCTIONS</b>	<u>                    585          </u>
<b>CHANGE IN NET ASSETS</b>	(259)
Net assets, July 1	<u>                  21,610          </u>
<b>NET ASSETS, JUNE 30</b>	<u><u>          \$       21,351          </u></u>

The accompanying notes are an integral part of these financial statements.

## BURT TOWNSHIP SCHOOL DISTRICT #2

### NOTES TO FINANCIAL STATEMENTS

June 30, 2006

#### **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Burt Township School District #2 conform to accounting principles generally accepted in the United States of America as applicable to school districts. The following is a summary of the more significant policies:

##### Reporting Entity

In evaluating how to define the School District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The basic but not the only criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the School District and/or its constituents, or whether the activity is conducted within the geographic boundaries of the School District and is generally available to its constituents. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the School District is able to exercise oversight responsibilities.

Based upon the application of these criteria, the financial statements of the Burt Township School District #2 contain all the funds and account groups controlled by the District's Board of Education as no other entity meets the criteria to be considered a component unit of the School District nor is the School District a component unit of another entity.

#### **BASIS OF PRESENTATION**

##### *District-Wide Financial Statements:*

The Statement of Net Assets and Statement of Activities display information about the School District as a whole. They include all funds of the School District except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through State sources, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. All of the School District's district-wide activities are considered to be governmental activities.

##### *Fund Financial Statements:*

The accounts of the School District are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two major categories: governmental and proprietary categories. An emphasis is placed on major funds within the governmental and proprietary categories. The General Fund is always considered a major fund and the remaining funds of the School District are considered major if it meets the following criteria:

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

- a. Total assets, liabilities, revenues or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The School District reports the General Fund as its only major governmental fund in accordance with the above criteria. The funds of the School District are described below:

### Governmental Funds

**General Fund** – The General Fund is the main operating fund and accordingly, it is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** – The special revenue funds account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects), such as the School Service and Athletics Funds.

**Capital Projects Fund** – Capital Projects Funds are used to record bond proceeds or other revenue to be used for the acquisition or construction of major capital facilities or other capital assets, including equipment.

### Fiduciary Funds

**Private Purpose Trust Fund** – The Private Purpose Trust Fund is used to account for the granting of scholarships and awards to qualified students.

## **MEASUREMENT FOCUS AND BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

### **Measurement Focus**

On the district-wide Statement of Net Assets and the Statement of Activities, governmental activities are presented using the economic resource measurement focus as defined in item (b) below. In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable resources at the end of the period.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### **Basis of Accounting**

In the district-wide Statement of Net Assets and Statement of Activities, governmental activities are presented using the accrual basis of accounting. Also, the proprietary fund financial statements are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year-end. Expenditures, including capital outlay, are recorded when the related liability is incurred, except for principal and interest on general long-term debt and accrued compensated absences, which are reported when due.

### Cash and Equivalents

The School District cash and cash equivalents as reported in the Statement of Net Assets are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with maturities of three months or less.

### Investments

Investments are carried at market value.

### Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

### Due From and To Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

### Inventory

Inventories are stated at cost, on a first-in, first-out basis, which approximates market value. Inventory recorded in the General Fund consists of centrally warehoused teaching and operating supplies for the School District. The School Lunch Fund consists of food and paper goods. For other funds, expenditures are recorded at the time of use.

### Capital Assets

Capital assets, which include land, buildings, equipment, and vehicles, are reported in the applicable governmental activities column in the district-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and any assets susceptible to theft. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized. The School District does not have infrastructure-type assets.

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings and additions	20 – 50 years
Buses and other vehicles	5 – 10 years
Furniture and other equipment	5 – 20 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

### Long-Term Debt

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

### Compensated Absences

The School District' policies regarding compensated absences permits employees to accumulate earned but unused vacation and sick leave. The liability for these compensated absences is recorded as long-term debt in the district-wide statements. In the fund financial statements, governmental funds report only the compensated absence liability payable from expendable available financial resources.

### Deferred Revenues

In the district-wide statements, deferred revenue is recognized when cash, receivables or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable. The School District has reported deferred revenue of \$3,760 in the General Fund for grant funding that has been received but is unearned and delinquent property taxes receivable.

### Equity Classification

#### *District-Wide Statements*

Equity is classified as net assets and displayed in three components:

- a. Invested in Capital Assets, Net of Related Debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- b. Restricted Net Assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments; or (2) law through constitutional provisions of enabling legislation.
- c. Unrestricted Net Assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

## **NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated, if appropriate.

### Revenues

#### *District-Wide Statements*

In the district-wide Statement of Activities, revenues are segregated by activity (governmental or business-type), and are classified as either a program revenue or a general revenue. Program revenues include charges to customers or applicants for goods or services, operating grants and contributions and capital grants and contributions. General revenues include all revenues, which do not meet the criteria of program revenues and include revenues such as State funding and interest earnings.

### *Fund Statements*

In the governmental fund statements, revenues are reported by source, such as federal sources, state sources and charges for services. Revenues consist of general purpose revenues and restricted revenues. General purpose revenues are available to fund any activity reported in that fund, while restricted revenues are available for a specific purpose or activity and the restrictions are typically required by law or a grantor agency. When both general purpose and restricted revenues are available for use, it is the School District's policy to use the restricted resources first.

### Property Taxes

Property taxes are levied on December 1, on behalf of the District by various taxing units and are payable without penalty by February 14. The District recognizes property tax revenue when levied to the extent they result in current receivables (collected within sixty days of the end of the fiscal year). Property taxes that are not collected within sixty days of the end of the fiscal year are recognized as revenue when collected.

### Expenses/Expenditures

#### *District-Wide Statements*

In the district-wide Statement of Activities, expenses are segregated by activity (governmental or business-type), and are classified by function.

### *Fund Statements*

In the governmental fund financial statements, expenditures are classified by character such as current operations, debt service and capital outlay.

### Interfund Activity

As a general rule, the effect of interfund activity has been eliminated from the district-wide statements. Exceptions to this rule are (1) activities between funds reported as governmental activities and funds reported as business-type activities; and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct cost and program revenues for the functions concerned.



## NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

In the fund financial statements, transfers represent flows of assets between funds without equivalent flows of assets in return or a requirement for repayment.

Interfund receivables and payables have been eliminated from the Statement of Net Assets.

### Budgets and Budgetary Accounting

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. The Superintendent submits to the Board of Education a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is approved by the Board of Education.
- d. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts are as originally adopted, or as amended by the Board of Education.
- e. All annual appropriations lapse at fiscal year end.

### Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE B – DEPOSITS AND INVESTMENTS:

The following is a reconciliation of cash and investments for both the unrestricted and restricted assets for the primary government and fiduciary funds from the Statement of Net Assets.

	Primary Government	Fiduciary Funds	Total
Cash and equivalents	\$193,019	\$21,351	\$214,370
Investments	-	-	-
TOTALS	\$193,019	\$21,351	\$214,370

### *Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State law does not require and the District does not have a deposit policy for custodial credit risk. The carrying amounts of the District's deposits with financial institutions were \$214,120 and the bank balance was \$245,821. The bank balance is categorized as follows:

Amount insured by the FDIC	\$101,699
Amount uncollateralized and uninsured	144,122
TOTAL	\$245,821

**NOTE C – DUE FROM OTHER GOVERNMENTAL UNITS:**

Amounts due from other governmental units consist of \$79,553 due from the State of Michigan for State Aid and \$31,972 due from other governmental units for the operation of special programs and grant projects.

**NOTE D – FUND MODIFICATIONS (TRANSFER TO/FROM OTHER FUNDS):**

The Burt Township School District #2, Grand Marais, Michigan reports interfund balances between many of its funds. Some of the balances are considered immaterial and are aggregated into a single column or row. The total of all balances agrees with the sum of interfund balances presented in the statements of net assets/balance sheet for governmental funds, and fiduciary funds. Interfund transactions resulting in interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	\$4,643	School Service	\$4,643
Total	\$4,643	Total	\$4,643

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) moves receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Fund	Transfer In	Fund	Transfer Out
Athletics	\$15,296	General	\$20,641
School Service	5,345		
Total	\$20,641	Total	\$20,641

**NOTE E – CAPITAL ASSETS:**

Capital asset activity of the School District's governmental activities was as follows:

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006
Capital assets not being depreciated:				
Building additions	\$-	\$26,428	\$ -	\$26,408
School buses	113,710	-	-	113,710
Total Capital Assets	113,710	26,428	-	140,138
Less accumulated depreciation:				
School buses and building additions	39,299	15,130	-	54,429
Total Accumulated Depreciation	39,299	15,130	-	54,429
CAPITAL ASSETS, NET	\$74,411	\$11,298	\$ -	\$85,709

**NOTE E – CAPITAL ASSETS (Continued):**

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	
Unallocated	\$14,214
Total Governmental Activities Depreciation Expense	\$14,214

**NOTE F – FOUNDATION REVENUE AND CONTINGENCY RECEIVABLE AND PAYABLE:**

For the fiscal year ended June 30, 1995, the State of Michigan adopted a foundation grant approach, which provides for a specific annual amount of revenue per student based on a state wide formula. In previous years, the state utilized a district power equalizing approach. The foundation is funded from state and local sources. Revenue from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on the average of pupil membership counts taken in February and October of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The state revenue is recognized during the foundation period (currently the fiscal year) and is funded through 11 payments from October 2005 – August 2006.

The School District also receives revenue from the State to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received which are not expended by the close of the fiscal year are recorded as deferred revenue.

**NOTE G – EXCESS OF ACTUAL EXPENDITURES OVER BUDGET IN INDIVIDUAL FUNDS:**

The following funds had an excess of actual expenditures over appropriations for the year ended June 30, 2006:

	<u>Excess Expenditures</u>
General Fund:	
Pupil services	93
Payments to other gov units	496

**NOTE H – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN:**

Substantially all of the District's employees are eligible to participate in the statewide Michigan Public School Employees' Retirement System (MPERS), a multiple-employer, cost-sharing public employee retirement system. Effective January 1, 1987, Act 91 of the Public Acts of 1985 established a voluntary contribution to the Member Investment plan (MIP). Employees first hired before January 1, 1990, made a one-time irrevocable election to contribute to the tax deferred MIP. Employees first hired on or after January 1, 1990 will automatically be included in MIP.

## **NOTE H – EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PLAN (Continued):**

Members in MIP may retire at any age after attaining thirty years of creditable service or at age sixty while still working with a minimum total of five years of creditable service and with credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date. The retirement allowance is calculated using a formula of 1.5% of the average of the highest total earnings during a period of thirty-six consecutive calendar months (three years) multiplied by total years to the nearest tenth of a year of credited service.

Employees who did not elect the MIP option fall under the MPSERS Basic Plan and may retire after attaining age sixty with ten or more years of credited service; or with thirty or more years of credited service; or attaining age fifty-five while still working at least fifteen but fewer than thirty years of credited service in each of the five school fiscal years immediately preceding the retirement allowance effective date.

The retirement allowance is computed using a formula of 1.5% of the average of the highest total earnings during a period of sixty consecutive months (five years) multiplied by the total years to the nearest tenth of a year of credited service. The MPSERS also provides death, disability, health, medical, dental, vision and hearing insurance coverage. Benefits are established by state statute.

The District was required by state statute to contribute 14.87% of covered compensation to the Plan through September 30, 2005 and 16.34% of covered compensation for the remainder of the year. The total amount contributed to the Plan for the year ended June 30, 2006 was \$85,674 which consisted of \$70,512 from the District and \$15,162 from employees electing the MIP option. These represent approximately 15% and 3% of covered payroll, respectively. The School District's contributions to MPSERS for 2005 was \$66,644 and \$45,452 for 2004.

Payroll paid to employees covered by the System for the year ended June 30, 2006 was approximately \$441,242. The District's total payroll was approximately \$444,000.

### Other Post-Employment Benefits

In addition to pension benefits, MPSERS provides comprehensive group medical, hearing, dental and vision coverage for retirees and beneficiaries. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension of the retiree. The portion provided by MPSERS is factored into the pension contribution rate.

The District is not responsible for the payment of retirement benefits which is the responsibility of the State of Michigan. MPSERS' issues a publicly available financial report that includes financial statements and required supplementary information for the system. More information may be obtained by writing MPSERS at MPSERS, P.O. Box 30673, Lansing, Michigan 48909-8173.

## **NOTE I – CONTINGENT LIABILITIES:**

### Grant Assistance

The School District has received significant assistance from federal and state agencies in the form of various grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreement and is subject to audit by the grantor agency. Any disallowed claims resulting from such audits could become a liability of the applicable fund of the School District.

## **NOTE I – CONTINGENT LIABILITIES (Continued):**

### Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages these risks by purchasing commercial insurance and/or by participating in public entity risk pools.

The District pays annual premiums to the risk pool for its general insurance coverage. The agreement provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies. The District is unable to provide an estimate of the amounts of additional assessments, if any, which are required to make the pool self-sustaining; however, they believe any amount would be insignificant. The District's general liability coverage is \$25,000 per occurrence and \$1,000,000 in the aggregate.

The District estimates that the amount of actual or potential claims, if any, against the District as of June 30, 2006, not covered by insurance are not material to the general purpose financial statement. Therefore, no provision for estimated claims is recognized.

## **NOTE J – ECONOMIC DEPENDENCY:**

The School District receives approximately 52 percent of its revenues through State and Federal sources to be used for providing elementary and secondary education to the students of Burt Township School District #2.

## **NOTE K – PRIVATE PURPOSE TRUST:**

Three funds are considered to be the property of the various groups and not the District. The George Spaulding Library Fund corpus is to be retained, with the income restricted to library use. The Dr. J.R. Boland Scholarship Fund and the James and Robin Henderson Scholarship Fund corpus are to be retained with the income awarded as a scholarship to a worthy student.

## **NOTE L – PROPERTY TAX:**

The taxable value of real and personal property, which represents approximately 50% of the estimated current value, located in the District for the 2005 tax year, totaled \$29,692,995 (consisting of \$8,580,431 for Homestead and \$21,112,564 for Non-Homestead). The tax levy for the year was based on a rate of 18 mills on the non-homestead property (one mill is equal to \$1.00 per \$1,000 of taxable value) and is remitted to the District's general fund by the taxing unit.

## **NOTE M – ACCRUED LIABILITIES:**

A summary of accrued liabilities at June 30, 2006 is as follows:

	Governmental Activities
Accrued wages	\$31,842
MESSA payable	8,491
Accrued fringes	7,638
Accrued interest	-
TOTAL	<u>\$47,971</u>

**NOTE N – RESERVED AND DESIGNATED FUND EQUITY:**

The School District reserves fund equities for the following funds:

Capital Projects Fund – The resources of the Capital Projects Fund have been accumulated for the specific purpose of acquiring fixed assets. The fund equity is reserved for this purpose.

**NOTE O – NONMONETARY TRANSACTIONS:**

The School District receives USDA donated food commodities for use in its food service program which are accounted for in the School Lunch Fund. The commodities are accounted for on the modified accrual basis and the related revenues and expenditures are recognized as commodities utilized. The School District recognized \$3,988 during fiscal year 2005-06 in revenues and expenditures for USDA commodities.

## REQUIRED SUPPLEMENTAL INFORMATION

**Burt Township School District #2**

**General Fund**

**Budgetary Comparison Schedule**

**For the Year Ended June 30, 2006**

	Budgeted Amounts		Actual (GAAP Basis)	Variances Positive (Negative)	
	Original	Final		Original Budget to Final Budget	Final Budget to Actual
REVENUES:					
Local sources	\$ 395,380	\$ 413,907	\$ 415,453	\$ 18,527	\$ 1,546
State sources	368,173	445,592	444,065	77,419	(1,527)
Federal sources	-	36,777	34,444	36,777	(2,333)
TOTAL REVENUES	763,553	896,276	893,962	132,723	(2,314)
EXPENDITURES:					
Instruction:					
Basic programs	469,610	519,631	507,451	(50,021)	12,180
Added needs	43,148	55,748	53,374	(12,600)	2,374
Total Instruction	512,758	575,379	560,825	(62,621)	14,554
Supporting Services:					
Pupil services	180	29,684	29,777	(29,504)	(93)
Instructional staff	25,703	8,332	2,967	17,371	5,365
General administration	139,240	140,212	129,259	(972)	10,953
School administration	2,529	-	-	2,529	-
Business support	9,000	15,249	14,417	(6,249)	832
Operation and maintenance	108,559	110,650	100,148	(2,091)	10,502
Pupil transportation	34,474	43,037	41,321	(8,563)	1,716
Central support	40,500	13,740	12,832	26,760	908
Total Supporting Services	360,185	360,904	330,721	(719)	30,183
Payments to Other Governmental Agencies					
Pmts to other governmental units	2,750	700	1,196	2,050	(496)
Total Payments to Other Government Agencies	2,750	700	1,196	2,050	(496)
TOTAL EXPENDITURES	875,693	936,983	892,742	(61,290)	44,241
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(112,140)	(40,707)	1,220	71,433	41,927
OTHER FINANCING SOURCES (USES)					
Special education	7,500	4,249	4,249	(3,251)	-
Sale of assets	4,500	15,054	15,054	10,554	-
Operating transfers out	(32,698)	(29,025)	(20,641)	3,673	8,384
TOTAL OTHER FINANCING SOURCES (USES)	(20,698)	(9,722)	(1,338)	10,976	8,384
NET CHANGE IN FUND BALANCE	(132,838)	(50,429)	(118)	82,409	50,311
Fund Balance, July 1	270,580	270,580	270,580	-	-
FUND BALANCE, JUNE 30	\$ 137,742	\$ 220,151	\$ 270,462	\$ 82,409	\$ 50,311



## OTHER SUPPLEMENTAL INFORMATION

# Burt Township School District #2

## General Fund

### Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual

For the Year Ended June 30, 2006

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>			
Local Sources:			
Taxes and Penalties	\$ 385,337	\$ 384,358	\$ (979)
Other Local Sources:			
Donations	5,765	5,304	(461)
Other local revenue	12,805	13,502	697
Income from deposits	10,000	12,289	2,289
<b>TOTAL LOCAL SOURCES</b>	<b>413,907</b>	<b>415,453</b>	<b>1,546</b>
State Sources:			
Unrestricted:			
Sec 22a & sec 22b	431,385	429,858	(1,527)
Restricted:			
Section 51c special ed headlee	13,911	13,911	-
Durant payment	296	296	-
Drivers ed grant	-	-	-
<b>TOTAL STATE SOURCES</b>	<b>445,592</b>	<b>444,065</b>	<b>(1,527)</b>
Federal Sources:			
Restricted:			
REAP	17,513	17,513	-
Restricted - received through state:			
Strong families safe children	9,234	9,234	-
Homeland Security			-
Title I, part A regular	1,941	1,941	-
Title V, part A regular	704	704	-
Title II, part D regular	4,003	1,615	(2,388)
Title II, part A regular	35	35	-
Restricted - received through MARESA:			
SDFS via MARESA	203	203	-
Flowthrough via MARESA	3,070	3,125	55
UPAN Revenue	74	74	-
<b>TOTAL FEDERAL SOURCES</b>	<b>36,777</b>	<b>34,444</b>	<b>(2,333)</b>
<b>TOTAL REVENUES</b>	<b>896,276</b>	<b>893,962</b>	<b>(2,314)</b>
<b>EXPENDITURES:</b>			
Instruction:			
Elementary:			
Salaries	119,947	115,214	4,733
Employee benefits	82,279	80,874	1,405
Purchased services	2,508	1,152	1,356
Supplies and materials	10,931	10,648	283
Capital outlay	12,000	11,390	610
<b>TOTAL ELEMENTARY</b>	<b>227,665</b>	<b>219,278</b>	<b>8,387</b>

**Burt Township School District #2**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Secondary:</b>			
Salaries	\$ 162,810	\$ 161,697	\$ 1,113
Employee benefits	92,906	93,217	(311)
Purchased services	8,350	6,801	1,549
Supplies and materials	11,750	11,190	560
Capital Outlay	14,500	14,238	262
Other	1,650	1,030	620
<b>TOTAL SECONDARY</b>	<u>291,966</u>	<u>288,173</u>	<u>3,793</u>
<b>Special Education:</b>			
Salaries	27,681	27,328	353
Employee benefits	20,022	20,084	(62)
Purchased services	1,000	667	333
Supplies and materials	2,000	1,392	608
Capital outlay	1,150	435	715
<b>TOTAL SPECIAL EDUCATION</b>	<u>51,853</u>	<u>49,906</u>	<u>1,947</u>
<b>Compensatory Education:</b>			
Salaries	1,565	1,565	-
Employee benefits	376	376	-
Supplies and materials	704	704	-
<b>COMPENSATORY EDUCATION</b>	<u>2,645</u>	<u>2,645</u>	<u>-</u>
<b>Career and Technical Education:</b>			
Purchased services			-
Supplies and materials	250	178	72
Capital outlay	1,000	645	355
<b>TOTAL CAREER AND TECHNICAL EDUCATION</b>	<u>1,250</u>	<u>823</u>	<u>427</u>
<b>TOTAL INSTRUCTION</b>	<u>575,379</u>	<u>560,825</u>	<u>14,554</u>
<b>Supporting Services:</b>			
<b>Pupil Services:</b>			
<b>Health Services:</b>			
Purchased services	180	100	80
<b>TOTAL HEALTH SERVICES</b>	<u>180</u>	<u>100</u>	<u>80</u>
<b>Psychological Services:</b>			
Other	9,500	9,696	(196)
<b>TOTAL PSYCHOLOGICAL SERVICES</b>	<u>9,500</u>	<u>9,696</u>	<u>(196)</u>
<b>Speech Pathology and Audiology Services:</b>			
Purchased services	500	80	420
<b>TOTAL SPEECH PATHOLOGY SERVICES</b>	<u>500</u>	<u>80</u>	<u>420</u>

**Burt Township School District #2**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Social Work Services</b>			
Salaries	\$ 7,292	\$ 8,625	\$ (1,333)
Employee benefits	1,792	2,446	(654)
Purchased services	10,270	8,830	1,440
Supplies and materials	150	-	150
<b>TOTAL SOCIAL WORK SERVICES</b>	<u>19,504</u>	<u>19,901</u>	<u>(397)</u>
<b>TOTAL PUPIL SERVICES</b>	<u>29,684</u>	<u>29,777</u>	<u>(93)</u>
<b>Instructional Staff:</b>			
<b>Improvement of Instruction:</b>			
Salaries	120	120	-
Employee benefits	529	264	265
Purchased services	5,798	2,298	3,500
Supplies and materials	1,185	-	1,185
<b>TOTAL IMPROVEMENT OF INSTRUCTION</b>	<u>7,632</u>	<u>2,682</u>	<u>4,950</u>
<b>Library:</b>			
Employee benefits	-	4	(4)
Supplies and materials	500	5	495
<b>TOTAL LIBRARY</b>	<u>500</u>	<u>9</u>	<u>491</u>
<b>Technology Assisted Instruction:</b>			
Purchased services	200	276	(76)
<b>TOTAL TECHNOLOGY ASSISTED INSTRUCTION</b>	<u>200</u>	<u>276</u>	<u>(76)</u>
<b>TOTAL INSTRUCTIONAL STAFF</b>	<u>8,332</u>	<u>2,967</u>	<u>5,365</u>
<b>General Administration:</b>			
<b>Board of Education:</b>			
Purchased services	10,050	7,699	2,351
Supplies and materials	600	138	462
Other expenses	8,950	7,043	1,907
<b>TOTAL BOARD OF EDUCATION</b>	<u>19,600</u>	<u>14,880</u>	<u>4,720</u>
<b>Executive Administration:</b>			
Salaries	71,229	70,964	265
Employee benefits	32,333	33,003	(670)
Purchased services	8,300	5,474	2,826
Supplies and materials	4,550	4,024	526
Capital outlay	3,000	-	3,000
Other expenses	1,200	914	286
<b>TOTAL EXECUTIVE ADMINISTRATION</b>	<u>120,612</u>	<u>114,379</u>	<u>6,233</u>
<b>TOTAL GENERAL ADMINISTRATION</b>	<u>140,212</u>	<u>129,259</u>	<u>10,953</u>

**Burt Township School District #2**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Business Services:</b>			
<b>Fiscal Services:</b>			
Purchased services	\$ -	\$ -	\$ -
<b>TOTAL FISCAL SERVICES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other Business Services:</b>			
Purchased services	11,229	10,539	690
Other	4,020	3,878	142
<b>TOTAL OTHER BUSINESS SERVICES</b>	<u>15,249</u>	<u>14,417</u>	<u>832</u>
<b>TOTAL BUSINESS SERVICES</b>	<u>15,249</u>	<u>14,417</u>	<u>832</u>
<b>Operation and Maintenance:</b>			
Salaries	17,183	17,264	(81)
Employee benefits	7,723	7,643	80
Purchased services	27,844	20,432	7,412
Supplies and materials	57,800	54,714	3,086
Capital outlay	100	95	5
<b>TOTAL OPERATION AND MAINTENANCE</b>	<u>110,650</u>	<u>100,148</u>	<u>10,502</u>
<b>Pupil Transportation:</b>			
Salaries	15,837	14,911	926
Employee benefits	4,700	4,474	226
Purchased services	9,300	8,632	668
Supplies and materials	13,200	13,304	(104)
<b>TOTAL PUPIL TRANSPORTATION</b>	<u>43,037</u>	<u>41,321</u>	<u>1,716</u>
<b>Central Support Services - Technology:</b>			
Salaries	3,000	2,768	232
Employee benefits	740	644	96
Purchased services	10,000	9,420	580
<b>TOTAL CENTRAL SUPPORT</b>	<u>13,740</u>	<u>12,832</u>	<u>908</u>
<b>TOTAL SUPPORTING SERVICES</b>	<u>360,904</u>	<u>330,721</u>	<u>30,183</u>
<b>Payments to Other Governmental Agencies</b>			
<b>Payments to Other Public Schools in Michigan:</b>			
Other expenses	700	1,196	(496)
<b>TOTAL COMMUNITY ACTIVITIES</b>	<u>700</u>	<u>1,196</u>	<u>(496)</u>
<b>TOTAL EXPENDITURES</b>	<u>936,983</u>	<u>892,742</u>	<u>44,241</u>
<b>EXCESS REVENUES (EXPENDITURES)</b>	<u>(40,707)</u>	<u>1,220</u>	<u>41,927</u>

**Burt Township School District #2**

**General Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>Other Financing Sources (Uses):</b>			
Special education	\$ 4,249	\$ 4,249	\$ -
Sale of assets	15,054	15,054	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>19,303</u>	<u>19,303</u>	<u>-</u>
 <b>Operating Transfers Out:</b>			
Lunch Fund	(12,194)	(5,345)	6,849
Athletic Fund	(16,831)	(15,296)	1,535
<b>TOTAL OTHER FINANCING USES</b>	<u>(29,025)</u>	<u>(20,641)</u>	<u>8,384</u>
 <b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(9,722)</u>	<u>(1,338)</u>	<u>8,384</u>
 <b>NET CHANGE IN FUND BALANCE</b>	(50,429)	(118)	50,311
Fund Balance, July 1	270,580	270,580	-
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ 220,151</u></u>	<u><u>\$ 270,462</u></u>	<u><u>\$ 50,311</u></u>

**Burt Township School District #2****Non-Major Governmental Funds****Combining Balance Sheet****June 30, 2006**

	Special Revenue Funds	Capital Projects Fund	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 107	\$ 1,208	\$ 1,315
Accounts receivable	689		689
Due from other governmental units	3,138	-	3,138
Inventory	892	-	892
<b>TOTAL ASSETS</b>	<b>\$ 4,826</b>	<b>\$ 1,208</b>	<b>\$ 6,034</b>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 56	\$ -	\$ 56
Accrued liabilities	127	-	127
Due to other funds	4,643	-	4,643
<b>TOTAL LIABILITIES</b>	<b>4,826</b>	<b>-</b>	<b>4,826</b>
<b>FUND BALANCES:</b>			
Reserved for school service activities	-	-	-
Reserved for capital outlay		1,208	1,208
<b>TOTAL FUND BALANCES</b>	<b>-</b>	<b>1,208</b>	<b>1,208</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,826</b>	<b>\$ 1,208</b>	<b>\$ 6,034</b>

**Burt Township School District #2****Non-Major Governmental Funds****Combining Schedule of Revenues, Expenditures and Changes in Fund Balance****For the Year Ended June 30, 2006**

	Special Revenue Funds	Capital Projects Fund	Total
<b>REVENUES:</b>			
Athletic activities	\$ 4,028	\$ -	\$ 4,028
School lunch activities	3,290	-	3,290
State aid	2,054	-	2,054
Federal sources	28,435	-	28,435
<b>TOTAL REVENUES</b>	<b>37,807</b>	<b>-</b>	<b>37,807</b>
<b>EXPENDITURES:</b>			
Supporting services	-	15,364	15,364
School lunch activities	37,957	-	37,957
Athletic activities	19,324	-	19,324
Capital Outlay	1,167	26,428	27,595
<b>TOTAL EXPENDITURES</b>	<b>58,448</b>	<b>41,792</b>	<b>100,240</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(20,641)</b>	<b>(41,792)</b>	<b>(62,433)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	20,641	-	20,641
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>20,641</b>	<b>-</b>	<b>20,641</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>(41,792)</b>	<b>(41,792)</b>
Fund Balance, July 1	-	43,000	43,000
<b>FUND BALANCE, JUNE 30</b>	<b>\$ -</b>	<b>\$ 1,208</b>	<b>\$ 1,208</b>



**Burt Township School District #2**

**Non-Major Special Revenue Funds**

**Combining Balance Sheet**

**June 30, 2006**

	<u>School Lunch Fund</u>	<u>Athletic Fund</u>	<u>Total</u>
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 99	\$ 8	\$ 107
Accounts Receivable	689	-	689
Due from other governmental units	3,138	-	3,138
Inventory	892	-	892
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL ASSETS</b>	<u>\$ 4,818</u>	<u>\$ 8</u>	<u>\$ 4,826</u>
<b>LIABILITIES AND FUND BALANCES:</b>			
<b>LIABILITIES:</b>			
Accounts payable	\$ 48	\$ 8	\$ 56
Accrued liabilities	127	-	127
Due to other funds	4,643	-	4,643
	<u>          </u>	<u>          </u>	<u>          </u>
<b>TOTAL LIABILITIES</b>	<u>4,818</u>	<u>8</u>	<u>4,826</u>
<b>FUND BALANCES:</b>			
Reserved for school service activities	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 4,818</u>	<u>\$ 8</u>	<u>\$ 4,826</u>

**Burt Township School District #2**

**Non-Major Special Revenue Funds**

**Combining Schedule of Revenues, Expenditures and Changes in Fund Balance**

**For the Year Ended June 30, 2006**

	School Lunch Fund	Athletic Fund	Total
<b>REVENUES:</b>			
Athletic activities	\$ -	\$ 4,028	\$ 4,028
School lunch activities	3,290	-	3,290
State aid	2,054	-	2,054
Federal sources	28,435	-	28,435
<b>TOTAL REVENUES</b>	<b>33,779</b>	<b>4,028</b>	<b>37,807</b>
<b>EXPENDITURES:</b>			
School lunch activities	37,957	-	37,957
Athletic activities	-	19,324	19,324
Capital Outlay	1,167	-	1,167
<b>TOTAL EXPENDITURES</b>	<b>39,124</b>	<b>19,324</b>	<b>58,448</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(5,345)</b>	<b>(15,296)</b>	<b>(20,641)</b>
<b>OTHER FINANCING SOURCES (USES):</b>			
Operating transfers in	5,345	15,296	20,641
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>5,345</b>	<b>15,296</b>	<b>20,641</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>-</b>	<b>-</b>	<b>-</b>
Fund Balance, July 1	-	-	-
<b>FUND BALANCE, JUNE 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**Burt Township School District #2**

**School Lunch Fund**

**Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
School lunch activities	\$ 2,700	\$ 3,290	\$ 590
State aid	2,054	2,054	-
Federal sources	<u>21,572</u>	<u>28,435</u>	<u>6,863</u>
<b>TOTAL REVENUES</b>	<u>26,326</u>	<u>33,779</u>	<u>7,453</u>
<b>EXPENDITURES:</b>			
School lunch activities:			
Salaries	16,101	14,892	1,209
Employee benefits	5,331	5,097	234
Purchased services	428	326	102
Supplies and materials	15,300	17,484	(2,184)
Capital Outlay	1,200	1,167	33
Other	<u>160</u>	<u>158</u>	<u>2</u>
<b>TOTAL EXPENDITURES</b>	<u>38,520</u>	<u>39,124</u>	<u>(639)</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(12,194)</u>	<u>(5,345)</u>	<u>6,814</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfer from general fund	<u>12,194</u>	<u>5,345</u>	<u>(6,849)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES):</b>	<u>12,194</u>	<u>5,345</u>	<u>(6,849)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Burt Township School District #2****Athletic Fund****Schedule of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual****For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Athletic activities	<u>\$ 3,675</u>	<u>\$ 4,028</u>	<u>\$ 353</u>
<b>TOTAL REVENUES</b>	<u>3,675</u>	<u>4,028</u>	<u>353</u>
<b>EXPENDITURES:</b>			
Athletic activities:			
Salaries	6,500	5,894	606
Employee benefits	1,896	1,936	(40)
Purchased services	8,710	8,226	484
Supplies and materials	3,100	3,144	(44)
Other expenses	<u>300</u>	<u>124</u>	<u>176</u>
<b>TOTAL EXPENDITURES</b>	<u>20,506</u>	<u>19,324</u>	<u>1,182</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(16,831)</u>	<u>(15,296)</u>	<u>1,535</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers from general fund	<u>16,831</u>	<u>15,296</u>	<u>(1,535)</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>16,831</u>	<u>15,296</u>	<u>(1,535)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JUNE 30</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

**Burt Township School District #2**

**Capital Projects Fund**

**Balance Sheet**

**June 30, 2006**

**Assets:**

Cash and cash equivalents	\$ 1,208
Due from Other Funds	<u>-</u>

<b>TOTAL ASSETS</b>	<b><u>\$ 1,208</u></b>
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**Liabilities:**

Accounts payable	\$ -
Due to other funds	<u>-</u>

<b>TOTAL LIABILITIES</b>	<b><u>-</u></b>
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**Fund Equity:**

**Fund Balance:**

Reserved for capital outlay	<u>1,208</u>
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<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b><u>\$ 1,208</u></b>
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**Burt Township School District #2**

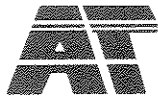
**Capital Projects Fund**

**Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**

**For the Year Ended June 30, 2006**

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES:</b>			
Interest	\$ -	\$ -	\$ -
Sale of Fixed Assets	-	-	-
Other revenues	-	-	-
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>EXPENDITURES:</b>			
Other Expenditures	23,837	15,364	8,473
Capital outlay	18,163	26,428	(8,265)
<b>TOTAL EXPENDITURES</b>	<u>42,000</u>	<u>41,792</u>	<u>208</u>
<b>EXCESS REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(42,000)</u>	<u>(41,792)</u>	<u>208</u>
<b>Other Financing Sources (Uses):</b>			
General Fund	-	-	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Operating Transfers Out:</b>			
Lunch Fund	\$ -	\$ -	\$ -
<b>TOTAL OTHER FINANCING USES</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCE, JULY 1</b>		<u>43,000</u>	
<b>FUND BALANCE, JUNE 30</b>		<u><u>\$ 1,208</u></u>	

## COMPLIANCE SECTION



ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

REPORT ON COMPLIANCE ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Burt Township School District #2  
Grand Marais, Michigan

We have audited the governmental activities, each major fund, and the aggregate remaining fund information of Burt Township School District #2, Michigan, as of and for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Burt Township School District #2's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Burt Township School District #2's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. These instances are described in a separate letter to management dated September 8, 2006.

This report is intended solely for the information and use of the finance committee, management, state and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, P.L.C.*  
Certified Public Accountants

September 8, 2006





***Burt Township School District #2***

*Report to Management Letter*

*For the Year Ended June 30, 2006*

Board of Education  
Burt Township School District #2  
Grand Marais, Michigan 49839

In planning and performing our audit of the financial statements of the Burt Township School District #2 for the year ended June 30, 2006; we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could affect the Burt Township School District #2's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

**Instances of Non-Compliance**

**Uniform Budgeting and Accounting Act (P.A. 621)**

The State of Michigan has enacted Public Act 621, the Uniform Budgeting and Accounting Act, to provide for a system of uniform procedures for the preparation and execution of budgets in local units of government. The purpose of P.A. 621 is to require that all local units of government adopt balanced budgets, to establish responsibilities and define the procedure for the preparation, adoption and maintenance of the budget, and to require certain information for the budget process, including data for capital construction projects. The major provisions of P.A. 621 are as follows:

1. Local Units of government must adopt a budget.
2. The budget, including accrued deficits and available unappropriated surpluses, must be balanced.
3. The budget must be amended when necessary.
4. Debt shall not be entered into unless the debt is permitted by law.
5. Expenditures shall not be incurred in excess of the amount appropriated.
6. Expenditures shall not be made unless authorized in the budget.
7. Violations of the act, disclosed in an audit of the financial records, in the absence of reasonable procedures, shall be filed with the State Treasurer and reported to the Attorney General.

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Grand Marais, Michigan 49839

The Burt Township School District #2 was found to be in violation of the legal and contractual provisions of the Uniform Budgeting and Accounting Act (Public Act 621) in certain individual funds as enumerated upon in the Footnotes of the financial statements.

\* \* \* \* \*

This report is intended solely for the information and use of the Burt Township School District #2's board, management, and other legislative or regulatory body and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate and would like to thank the Burt Township School District #2's staff for the cooperation and courtesy extended to us during our audit. We would be pleased to discuss any comments or answer any questions regarding our audit with you at your convenience.

*Anderson, Tackman & Company, PLLC*  
Certified Public Accountants

September 8, 2006



# ANDERSON, TACKMAN & COMPANY, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

## PARTNERS

JOHN W. BLEMBERG, CPA

ROBERT J. DOWNS, CPA, CVA

DANIEL E. BIANCHI, CPA

MICHIGAN  
ESCANABA  
IRON MOUNTAIN  
KINROSS  
MARQUETTE

WISCONSIN  
GREEN BAY  
MILWAUKEE

September 8, 2006

Board of Education  
Burt Township School District # 2  
Grand Marais, Michigan 49839

We have audited the basic financial statements of the Burt Township School District # 2 for the year ended June 30, 2006, and have issued our report thereon dated September 8, 2006. Professional standards require that we provide you with the following information related to our audit.

### **Our Responsibility under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated July 18, 2006, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

As part of our audit, we considered the internal control of the Burt Township School District # 2. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of the accounting policies and their application. The significant accounting policies used by the Burt Township School District # 2 are described in Footnote A to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ending June 30, 2006. We noted no transactions entered into by the Burt Township School District # 2 during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. These estimates are relatively insignificant in relation to the financial statements as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction

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Burt Township School District # 2  
Grand Marais, MI 49839

of the financial statements that, in our judgement, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Burt Township School District # 2 financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Burt Township School District # 2, either individually or in the aggregate, indicate matters that could have a significant effect on the Burt Township School District # 2's financial reporting process.

#### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Consultation with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principal to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### **Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Burt Township School District # 2's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

#### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing our audit.

#### **Conclusion**

This information is intended solely for the use of the Burt Township School District # 2 Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company, PLC*  
Certified Public Accountants